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TAGS: [PREL](#) [PREF](#) [PGOV](#) [ECON](#) [HR](#) [BK](#)

SUBJECT: GOC APPROVES HOUSING MEASURES AIMED AT  
FACILITATING REFUGEE RETURNS

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[B](#). (B) ZAGREB 1084

Classified By: Darren Taylor, Political Officer, For Reasons: 1.5 (B) a  
nd (D).  
SUMMARY

[1](#). (C) In what is being viewed as an abrupt change of policy, the Croatian Government on June 12 finally approved measures aimed at providing subsidized housing to refugees who enjoyed "tenancy rights" under the old Yugoslav system. In another development, Prime Minister Racan, for the first time, publicly called for all refugees to return to Croatia. The GOC's pursuit of EU membership -- and the EU's linkage of progress on return-related issues as a condition for membership -- is the driving force behind recent GOC actions. The proof will be in the implementation. Senior GOC officials, unfortunately, are already declaring the mission accomplished -- characteristically confusing statements of intention with implementation. End Summary.

What A Difference A Day Makes

[1](#)2. (C) After three years of ignoring, rebuffing and attacking IC insistence that it address the issue of lost occupancy/tenancy rights (OTR) affecting the ability of tens of thousands of refugees to return to Croatia, the SDP-led coalition Racan government on June 12 dramatically reversed its previous policy and announced a new initiative to provide housing assistance to refugees who had enjoyed OTR and who want to return. The government previously insisted that OTR had been abolished as a legal instrument in Croatia and therefore that no effort would be made to offer any special assistance (never mind compensation) to the tens of thousands of refugees -- by one estimate, up to 100,000 ethnic Serbs -- who lost OTR when Croatia's law was changed after they had fled Croatia, often under duress, in the mid-nineties.

[1](#)3. (C) Following Cabinet approval of the new initiative, Prime Minister Racan took center stage and publicly welcomed refugees to return to Croatia during a nationwide television broadcast. (Racan had rejected making such a public appeal ever since entering office in early 2000, citing domestic political considerations.) In this first-ever public, personal invitation, Racan told the TV audience that, by adopting the housing program, the GOC had removed a key political obstacle to EU membership. "Housing is no longer an obstacle for refugees seeking to return to Croatia," he said.

GOC Highlights Housing Policy

[1](#)4. (C) In their public announcements and in a presentation to the Zagreb diplomatic corps, GOC officials described the new initiative as an effort to facilitate the return of refugees, not restore OTR to all individuals and families who lost them. Under the new housing plan, which the GOC promised to begin implementing within 30 days, there will be two options for potential returnees.

-- Subsidized rent of state-owned apartments. Under this program, returnees would be eligible to receive subsidized rent (less than one dollar per square meter) for apartments that will be bought by the State or built through the state-subsidized housing program.

-- Direct purchase of property. Refugees who are financially able to pay the down payment (usually 10-30 percent of the actual cost of a home or apartment) will receive low interest rate loans under the program.

[1](#)5. (C) GOC officials stressed that only former OTR holders who seek to return to Croatia and who do not own homes in Croatia or any of the former Yugoslav republics will be eligible to participate in the program. The program will include cities both inside and outside of the war-affected areas (so-called "Areas of Special State Concern"). The GOC said it plans to spend USD 70 million toward the effort next year and complete the reconstruction program by 2006. Roughly half of this amount will come from the state budget.

Both Deputy PM Linic and Deputy FM Simonovic assured the Ambassador that funds have been reserved for this program. The GOC plans to apply for loans from the Council of Europe Bank to cover the remaining balance.

#### EU Membership Driving Force Behind GOC Action

16. (C) The EU,s decision to link Croatia,s progress on refugee returns to its eventual membership in the EU is

driving the GOC effort. In its March report, the EC Commission specifically set a benchmark for the GOC: to develop and implement an acceptable plan to restore OTR for those who lost such rights after fleeing during the war. The Commission gave the GOC until the end of the year to show measurable progress on this and two other key impediments to return: property restitution and processing applications for reconstruction assistance. The clear message was that the GOC must act to enable and facilitate minority returns or face a negative avis next spring on its EU membership application. The linkage is the only powerful lever available to the IC to force the GOC to take what it considers unpopular and costly steps to facilitate mostly Serb returns. Early signs are that the GOC is bending under this EU pressure, which the USG has both spurred and endorsed.

#### No Time to Celebrate

17. (C) The GOC has a history of making promises and not following through. The Ambassador has underscored that we will be looking at implementation as the true test of the government's commitment -- a message he conveyed again to the Prime Minister on June 26. Whether or not the GOC fully implements the program just announced will send a clear signal about its readiness to "clear the hurdle" on refugee returns. While the GOC appears to have gotten the message from the EU that resolving refugee returns will weigh heavily on Croatia,s bid for membership, the same holds true for NATO membership -- a point which the Croatians need to be reminded of at every opportunity (Ref).

18. (C) Finally, despite the rather celebratory spirit displayed by many GOC officials over the recent initiative, another cloud hangs over Croatia: the case a former tenancy right holder brought to the European Court of Human Rights in Strasbourg. Scores of other similar cases loom too. The GOC could be on the hook to compensate -- at enormous cost -- all former tenancy rights holders, not just those who return to Croatia to live. Indeed, the proposed GOC program is not a final resolution to the issue of OTR. The EU holds that rulings by the Strasbourg court must be respected -- a central obligation of any country which aspires to EU membership. The OSCE is also following these cases closely.

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